

# HOUSE BILL REPORT

## HB 2824

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### As Amended by the Senate

**Title:** An act relating to addressing comprehensive funding for education by developing a plan for full funding and by freeing certain existing revenues for support of the basic education program.

**Brief Description:** Addressing comprehensive funding for education by developing a plan for full funding and by freeing certain existing revenues for support of the basic education program.

**Sponsors:** Representatives Eddy and Hunter.

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 4/4/12.

##### **First Special Session**

##### **Floor Activity:**

Passed House: 4/6/12, 68-26.

#### **Brief Summary of Bill**

- Creates a joint task force on education funding that will make recommendations for fully funding basic education programs, including the requirements of Engrossed Substitute House Bill 2261 and Substitute House Bill 2776.
- Repeals the statutory requirement to provide funding in specified annual amounts for the Student Achievement Program, originally enacted as Initiative 728 in 2000.
- Removes statutory references to the Student Achievement Program and provides that any funding previously dedicated to the Student Achievement Program (from excess lottery funds and the Education Legacy Trust Account) goes toward support of the common schools.

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#### **HOUSE COMMITTEE ON WAYS & MEANS**

**Staff:** Jessica Harrell (786-7349).

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

## **Background:**

### Basic Education.

In the 2009-11 biennium, two pieces of legislation were enacted to redefine basic education and restructure the K-12 funding formulas. The first was Engrossed Substitute House Bill 2261 (Chapter 548, Laws of 2009), which expanded the definition of basic education and established a framework for a new K-12 funding allocation formula based on prototypical schools. These changes took effect September 1, 2011. The bill also contained a statement of legislative intent that the redefined program of basic education and funding for the program be fully implemented by 2018.

The second bill, Substitute House Bill 2776 (Chapter 236, Laws of 2010) enacted in statute the new prototypical school allocation formulas at funding levels that represented the 2009-10 school year state spending on basic education. The bill also established a timeline for phasing in enhancements to the program of basic education and its funding levels as follows:

- During the 2011-13 biennium the K-3 class size must be reduced to 17 students per teacher, beginning with the schools with the highest poverty students, by 2017-18.
- During the 2011-13 biennium, the minimum allocation for maintenance, supplies, and operating costs (MSOC) must be increased as specified in the omnibus appropriations act until specific amounts are provided in the 2015-16 school year.
- During the 2011-13 biennium, funding for all-day kindergarten must continue to be phased in each year until full statewide implementation is achieved in the 2017-18 school year.
- During the 2011-13 biennium, funding for a revised formula for pupil transportation must begin and be fully implemented by the 2013-15 biennium.

Partial implementation of the four enhancements described above is included in the appropriations approved by the Legislature for the 2011-13 biennium. These appropriations include approximately \$5 million for full-day kindergarten enhancements in select school districts, approximately \$33.6 million to reduce class sizes in grades K-3 in high poverty school districts, \$5 million for pupil transportation, and inflationary increases to the MSOC formulas.

Based on current enrollment figures, future enrollment projections and inflation projections, the estimated cost of fully implementing the four enhancements included in Substitute House Bill 2776 is approximately \$1.6 billion in fiscal year (FY) 2018. This estimate assumes each enhancement is evenly phased in beginning in FY 2014, completed by each respective fiscal year deadline and, if required by current legislation, increased by inflation.

### Initiative 728.

In November 2000, Initiative 728 (I-728), the K-12 2000 Student Achievement Act was approved by Washington voters. Under I-728, a portion of certain state revenues were dedicated to the Student Achievement Fund. School districts were given the discretion to use the I-728 related funding for any of six activities for improving student achievement. These activities included:

- reductions in K-4 class size;
- selected class size reductions in grades 5-12;
- extended learning opportunities for students who need or want additional time in school;
- investments in educators and their professional development;
- early assistance for children who need pre-kindergarten support in order to be successful in school; and
- providing improvement or additions to facilities to support class size reductions and extended learning opportunities.

Upon initial approval, \$140 per pupil of the state property tax was directed to be placed in the Student Achievement Fund for calendar years 2001 through 2003. As directed in the I-728, the dedicated funding to the Student Achievement Fund would increase in 2004 to \$450 per pupil and be adjusted for inflation thereafter. However, the 2003 Legislature revised the per pupil amounts of the state property tax to be placed in the Student Achievement Fund to \$140 in the 2003-04 school year, \$254 in 2004-05, \$300 in 2005-06, \$375 in 2006-07, and \$450 in 2007-08. Each year after 2007-08, the per pupil figure was to be adjusted annually for inflation.

In 2008 the Legislature made additional adjustments to the Student Achievement Fund. In 2008, the amount dedicated to the Student Achievement Fund was \$458.10. For the 2009-10 school year, the per pupil appropriations began to be specified in the omnibus appropriations act and the figure was reduced to \$131.16. Concurrently, the K-12 2000 Student Achievement Act Account was consolidated into the State General Fund under Engrossed Substitute Senate Bill 5073, and the Student Achievement Act and Student Achievement Fund became the Student Achievement Program. Funding for the program was suspended in the 2010-11 school year and continues to be suspended through 2012-13.

**Summary of Bill:**

A joint task force on education funding is created, consisting of four members of the House of Representatives, four members of the Senate, and three individuals appointed by the Governor. The task force is required to develop a proposal for fully funding the state's program of basic education including the programmatic enhancements required by Substitute House Bill 2776. The task force is staffed by the Office of Program Research, Senate Committee Services, and the Office of Financial Management with assistance from the Washington State Institute for Public Policy and other agencies as necessary. The task force's final report must be submitted to the Legislature by December 31, 2012.

The statutory requirement to provide funding in specified annual amounts for the Student Achievement Program is repealed. In addition, all statutory references to the Student Achievement Program are also removed. Statutory references to dedication of remaining net lottery revenues to the Student Achievement Fund is directed to the program of basic education while education legacy trust funds previously dedicated to the Student Achievement Fund are now directed to the support of the common schools.

**EFFECT OF SENATE AMENDMENT(S):**

The joint task force on education funding is required to provide recommendations for implementing a scaled funding formula for the transitional bilingual program and any necessary implementing legislation. Statutory reference to the Student Achievement Program in the school district levy-base statute is removed. The provisions that include the I-728 revenues in the levy base, as though they were not repealed, are retained.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This legislation is strongly supported and the effort that the Legislature is making to fully fund basic education is appreciated. The prototypical model school is, and should be, the focus of funding. Removing the bow-wave, while moving forward with funding to support the prototypical model, is a step in the right direction.

(In support with concerns) The concept of the task force to fully fund basic education is a good concept. However, the concept would be improved if members of the education community were added to the joint task force membership. It would also be helpful if the legislation clarified the future role of the Quality Education Council.

The state has a significant long-term structural problem with expenditure growth far exceeding the growth in revenue. Investment in education has fallen as compared with other states, personal incomes have increased, and sales tax revenue has fallen. More revenue is needed to fund K-12, as well as early education and higher education. This legislation is a positive step toward addressing funding needs in K-12, but the Legislature should be looking at broader tax reform along with repeal of Initiative 728 (I-728).

Repealing I-728 de-commits future money for education. Rather than repealing Initiative 728, it makes sense to integrate the funding structures that currently exist, specifically Initiative 728 and the enhancements to basic education included in Engrossed Substitute House Bill 2261 and Substitute House Bill 2776.

(Opposed) Initiative 728 should not be repealed. It supports smaller class sizes which are an important tool in helping children improve their reading and math skills. Schools need to set up children for a positive learning experience.

The study included in this legislation is critical for moving the K-12 funding system forward. However, repealing I-728 provides a critical bow-wave that forces legislators to take positive action to remove the funding each biennium. In addition, it is concerning that, in repealing only one initiative, the Legislature is isolating an expenditure bow-wave to increase sustainability without looking to other revenue related initiatives, such as Initiative 747, that would increase revenue and also make the budget more sustainable.

**Persons Testifying:** (In support) Ramona Hattendorf, Washington State Parent Teacher Association; George Scarola, League of Education Voters; and Amber Carter, Association of Washington Business.

(In support with concerns) Shawn Lewis, Office of the Superintendent of Public Instruction; Marilyn Watkins, Economic Opportunity Institute; Ben Rarick, State Board of Education; and Marie Sullivan, Washington State School Directors Association.

(Opposed) Randy Parr, Washington Education Association; and Patricia Benavidez.

**Persons Signed In To Testify But Not Testifying:** None.